COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

July 6, 1992



Donna R. Searcy, Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554



Re: Billed Party Preference
for 0+ InterLATA Calls,
Docket No. 92-77

Dear Secretary Searcy:

Enclosed please find an original and eleven (11) copies of Comments of the Pennsylvania Public Utility Commission in the above-captioned matter.

A copy has been provided for each of the Commissioners.

Sincerely,

Ellen M. Averett
Assistant Counsel

For the Pennsylvania Public
Utility Commission

Enclosures

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20544

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| BILLED PARTY PREFERENCE FOR 0+ INTERLATA CALLS | : | Docket No. 92-77 |



COMMENTS OF THE
PENNSYLVANIA PUBLIC UTILITY
COMMISSION

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION:

The Pennsylvania Public Utility Commission ("PaPUC" or "Commission") is the state agency responsible for regulating the rates and service of all local telephone companies operating within the Commonwealth of Pennsylvania. The PaPUC hereby submits its comments before the Federal Communications Commission ("FCC") in the above-captioned proceeding.

## SUMMARY OF PaPUC'S POSITION

The PaPUC believes there are a number of substantial issues which must be addressed by the FCC prior to implementation of an automated Billed Party Preference ("BPP") routing methodology for 0+ interLATA calls. While the PaPUC recognizes the benefits associated with this system, the Commission submits that the FCC must fully analyze the economics of such a system and other concerns prior to ordering the local exchange carriers ("LECs") and interexchange carriers ("IXCs") to spend millions of dollars for BPP.

The PaPUC submits that a BPP 0+ interLATA routing system could be less confusing to callers than the current system of presubscription to particular operator service providers ("OSP"). The BPP system as proposed would also be transparent to the end-user again reducing confusion. Further, the ability of a caller to dial 0+, instead of extensive access codes, to reach a carrier of choice promotes the system's simplicity. The current presubscription system for payphones and aggregator phones favors the OSP with the largest customer base. The PaPUC believes that a BPP system would level the playing field among OSPs by permitting them to offer customers 0+ interLATA dialing regardless of the size of their customer base or use of proprietary cards.

While many benefits would accrue from implementation of BPP, a number of concerns must first be addressed. The PaPUC submits that the most important concern is the economic viability of BPP and the loss of LEC revenues from caller bypass of the LEC system. At present, accurate cost data is not available to pursue this analysis. If the system is deemed economically viable, the FCC must address the impact of BPP on the provision of payphones as well as competition among OSPs. The PaPUC believes that payphone providers must be compensated for all operator assisted calls or they will have little incentive to provide payphones to consumers. Further, the PaPUC submits that BPP will provide a pro-competitive market for competition among OSPs. BPP virtually eliminates the entrenched presubscribed market and opens the market to competition based on quality of service to the end-user.

If the FCC determines BPP to be economically viable, the PaPUC submits that an expedited schedule for development and implementation of the system must be established. Any extensive delay would cause the demise of BPP if IXCs retrain their customers to use access codes. LECs would lose millions of dollars in intraLATA revenues if their networks are circumvented due to habitual use of access codes. Thus, the PaPUC submits that incentives to bypass the system must be eliminated. Further, if BPP is implemented, the PaPUC believes that the system must be universal in scope and applied to all 0+ interLATA calls because a uniform dialing plan would be more easily understood and readily accepted by consumers.

## DISCUSSION

The PaPUC submits the following Comments in response to the benefits and concerns outlined by the FCC in the Notice of Proposed Rulemaking in this Docket:

### A. PROPOSED BENEFITS OF BPP

#### 1. Reduces Confusion and Offers Simplicity

The PaPUC agrees with the FCC's tentative conclusion that the BPP routing methodology for 0+ interLATA calls would be less confusing to consumers than the current method of presubscription. Presently, a caller ("end-user") can reach his carrier of choice only if it is presubscribed to the originating line, or if he dials that OSP's access code. The blocking of access codes on many payphones and aggregator phones has also heightened the confusion. The PaPUC agrees with the FCC that "[c]onsumers have not only been

confused by the division of responsibilities between the local and long distance companies, but also frustrated and confused by call blocking, the mistaken assumption as to which carrier will handle their call when they use a particular calling card and by the need to use access codes and to know when to use them."[1]

The PaPUC submits that end-users would be benefitted if BPP was implemented at payphones and aggregator phones. Under a BPP system, an end-user can make all of his operator assisted calls on a 0+ basis to be handled by the OSP with whom the billed party desires to do business. Other access options, including access by dialing 10XXX or other codes, could still be preserved for use by end-users on a particular call. An end-user would not have to remember nor dial an access code to reach his preferred OSP.

While reducing the present confusion of accessing an end-user's preferred OSP, the BPP system also decreases the complexity of dialing an 0+ interLATA call. The PaPUC agrees with the FCC's statement that "BPP could make operator services more 'user friendly.'"[2] Currently, an end-user must dial an access code if the telephone is not presubscribed to his preferred OSP. By 1995, the FCC has mandated expansion of the number of access code digits

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[1] In the Matter of Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, Notice of Proposed Rulemaking ("NPRM"), FCC 92-169, released May 8, 1992, at 7-8.

[2] Id. at 8, para. 16.

that will need to be dialed.[3] The PaPUC believes that end-users would prefer BPP 0+ interLATA dialing for ease and simplicity over the extensive dialing of codes to access their preferred OSP.

2. Transparency of BPP Routing System and Creation of LIDB

Consumers would also benefit if the mechanics of a routing system are transparent to the end-user. After consultation with several LECs, the PaPUC believes that the use of sophisticated signaling and switching equipment such as Signaling System No. 7 ("SS7") with an Automated Alternate Billing System ("AABS") would make BPP transparent to the end-user. SS7 would automate the carrier identification functions so that the end-user would not have to provide a calling-card number twice. Also AABS, if used in conjunction with BPP as the PaPUC supports, could automate the same procedures for collect and third-party billing. BPP would eliminate the need for an end-user to provide identification and billing information to two separate operators. Instead, the information would be provided to the IXC on an automated basis. The PaPUC also submits that access times for operator service calls would also be maintained if SS7 and AABS are included in the proposed BPP system. The PaPUC supports the required development, modification and upgrade of SS7 and AABS systems to work together with BPP.

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[3] The five-digit Feature Group D access code (10XXX) will become seven digits (101XXXX) in 1995 with the expansion to a four-digit carrier identification code.

Although the mechanics of the routing system would be transparent to the end-user, the PaPUC acknowledges that the implementation of BPP would also require the creation of a large database, to work in conjunction with AABS, described as a Line Information Database ("LIDB"), containing customer selections of primary and secondary carriers. Carrier information retrieved from the database would be used for collect and third-party billing by the SS7 systems and AABS systems at the Operator Service Switch to route the call directly and automatically to the appropriate OSP. The PaPUC also supports the FCC proposal that the LECs implement and maintain LIDB and operate the database on an equal-access basis. Carrier identification and billing information retrieved by all carriers on an equal-access basis is needed to help establish a level playing field among OSPs.

3. Refocuses OSP Competition

The PaPUC submits that BPP would also refocus competition in operator services toward end-users and level the playing field among OSPs. Presently, OSPs compete for 0+ interLATA traffic by obtaining presubscription contracts for public phones. OSPs pay commissions to payphone providers and premise owners and focus their attention on these parties. The PaPUC believes that BPP would benefit end-users by refocusing OSP attention toward providing better consumer services. The NPRM also suggests that redirecting the competitive efforts of OSPs would also reduce rates

for end-users.[4]

The PaPUC does not have data to analyze whether consumer rates for operator service calls would be reduced. The PaPUC has questioned AT&T and a number of LECs about the amount of commissions paid by presubscribed providers to payphone providers and to premises owners. This information is not yet available. A net reduction in end-user rates for operator-assisted calls still may not be achieved even if commissions are reduced or eliminated. Instead, the costs of development, implementation and operation of a BPP system may eliminate any potential savings.

The PaPUC will analyze all information that may be supplied by the Bell Operating Companies ("BOCs") and/or the Competitive Access Providers ("CAPs") on the costs to develop and implement BPP as well as on the amount of commissions paid to payphone providers and to premises owners where payphones are located. The Commission will then respond on any potential net savings or project rate reductions for end-users in Reply Comments to this Docket.

In addition to refocusing OSP competition, BPP will help to increase parity among OSPs by permitting equal-access to all OSPs through use of a 0+ dialing protocol. BPP would also level the playing field among OSPs, because few, if any, OSPs would receive 0+ traffic through default (i.e., when the OSP is presubscribed to the originating line and the end-user cannot or does not dial an access code).

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[4] In the Matter of Billed Party Preference for 0+ InterLATA Calls, NPRM, supra, at 9, para. 19.

Currently, AT&T is the presubscribed OSP on approximately 3/4 of all operator service calls.[5] Further, nearly four out of five payphone and aggregator phones are presubscribed to AT&T. AT&T, therefore, can safely offer its customers 0+ dialing, while other "IXC" cardholders would reach the wrong carrier nine out of ten times if they used the same 0+ protocol.[6] Under the present presubscribed system, calling card customers not affiliated with AT&T must dial a five to ten digit code to access their carrier from an AT&T presubscribed phone. The PaPUC, in agreement with the FCC, submits that the current presubscription system for payphones and aggregator phones favors the OSP who has the largest customer base and creates a wide disparity in the amount of traffic other OSPs can handle.

BPP would seriously undermine the current 0+ presubscription market because the three major types of alternate billing (collect, third party and calling card) would be independent of the originating phone line. Each IXC would have the same opportunity to offer its customers 0+ interLATA dialing, regardless of the size of its customer base or use of proprietary cards by other IXCs. Once OSP presubscription is eliminated, a competitive focus on the end-user and parity among OSPs would be achieved. The PaPUC submits the BPP is pro-competitive, and would spur OSPs to compete

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[5] Id. at 9, f.n. 25.

[6] Comments of Sprint Communications Company in the Matter of Billed Party Preference for InterLATA Calls, CC Docket No. 92-77, dated June 2, 1992.

for 0+ interLATA traffic by providing better and more efficient services to end-users.

B. CONCERNS IF BPP IS IMPLEMENTED

1. Costs of BPP Routing System

Most important to the viability of BPP is an extensive analysis of the economics of such a routing system. The PaPUC is concerned that despite its many benefits, the costs of developing and operating BPP tied with the system's projected implementation date may thwart its viability. Although the PaPUC strongly supports BPP in concept, BPP should not be mandated if the costs of the system cannot be fully recovered or BPP is not cost effective.

Adequate information is not available to determine if the present economics of BPP warrant its further definition, development and deployment. A wide range of cost estimates were delineated in the NPRM. Bell Atlantic quoted $150 million to implement BPP nationwide for interLATA payphone traffic alone.[7] Nevertheless, there are wide variances in the projected costs which range from $50 million on the low end by Southwestern Bell[8] for its implementation of both 0+ and 0 - BPP to AT&T's estimate of $560 million for its 0+ traffic alone.[9] These figures are stale and need to be significantly updated based upon the present interLATA

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[7] In the Matter of Billed Party Preference for O+ InterLATA Calls, NPRM, supra, at 11, para. 25.

[8] Id. at 11, para. 25.

[9] Id. at p. 11, para. 25.

market conditions and technology.

In addition, the PaPUC submits that cost estimates should be standardized and contain similar cost components so that a final economic analysis can compare costs for the development, implementation, and operation of BPP. The PaPUC plans to fully delineate its position on BPP system costs and costs of system application and deployment in Reply Comments to this Docket.

Prior to a complete review, the PaPUC cannot support proceeding with the FCC proposal of BPP. If, after a thorough analysis, the FCC determines BPP's costs to be prohibitive, the present system of competition among OSPs should be left in status quo until BPP becomes economically viable. Under that scenario, the PaPUC would espouse that there be equal-access to a 10XXX dialing protocol for all OSPs and IXCs. However, if the FCC proceeds with BPP, the PaPUC believes that an expedited cost analysis would hasten the deployment of the system.

2. Delay in BPP Implementation

The PaPUC submits that the economic viability of BPP is tied directly to its proposed implementation schedule. Any extensive delay to implement the system would cause its demise. By the best estimates, the BPP routing system would take at least a few years to develop and implement.[10] The PaPUC is concerned that during this time, the benefits of BPP for end-users to easily access an OSP of choice would be obviated. Extensive delay could also strand

[10] Id. at 9, para. 18.

system costs that will be spent by carriers to promote BPP and increase the incentive of IXCs to have their customers dial around LEC networks by using access codes.

The PaPUC believes that any leverage and/or tactics that might be used by large OSPs to delay implementation of any FCC-mandated BPP system must be thwarted. To eliminate some of this concern, the FCC should freeze access charges for 10XXX access codes, simultaneous with mandating any BPP routing system.

Further, the PaPUC submits that the FCC must also expedite the review and analysis of Comments to this Docket to salvage any possibility of implementing BPP. If BPP is mandated, an expedited implementation schedule should be developed. The PaPUC acknowledges that BPP requires the development and manufacturing of special equipment, software and prompts as well as upgrading switches prior to the implementation of the system on a nationwide basis. However, extensive delay in deployment could also cause the system's demise. Hastening the process for effective and full BPP implementation would reduce the ability of large OSPs to circumvent the BPP system by convincing end-users to access OSPs by other means.

3. Scope and Application of BPP

The PaPUC also recommends that if BPP is implemented, the system should be universal in scope and applied to all 0+ interLATA calls. If economically viable, BPP should be mandated nationwide to reduce consumer confusion. More specifically, the BPP system chosen should be universal geographically. Integration of the

system on a ubiquitous basis would eliminate the confusion of mobile consumers operating in a patchwork BPP environment. The BPP system should also be applied to all 0+ interLATA traffic and mandated for use by all LECs and Alternate Operator Service Providers ("AOS"), regardless of the underlying network each provides. A uniform dialing plan for all 0+ traffic imposed across the board would be more readily accepted and understood by consumers and make the implementation of BPP more successful.

4. Impact on Provision of Payphones

Once the economic viability, scope and application of BPP is determined, the PaPUC submits that the FCC must address additional concerns affecting the system. The PaPUC believes that BPP, as proposed, would impact competition in the provision of payphones. Presently, premises owners of payphones are paid commissions by competitive payphone providers on 0+ and coin traffic originating from each payphone. The NPRM states that these commissions are funded with 0+ commissions and coin deposits received from the presubscribed OSP for 0+ traffic.[11] More specifically, OSPs under a BPP system would no longer be presubscribed by aggregators and premises owners but selected by the billed party. BPP could eliminate OSP commissions on 0+ traffic because the focus of this routing system is away from the presubscribed carrier and toward the billed party.

[11] Id. at 12, para. 28.

The FCC recently mandated an interim solution to compensate competitive access payphone providers.[12] The FCC ordered that CAPs be paid $6.00 per payphone for originating access-code calls from their payphones. The FCC also espoused that a permanent solution and final order should provide for per-call payment instead of a set monthly amount per payphone.[13] After reviewing this Order, the PaPUC submits that the FCC should consider adopting a mechanism to compensate payphone providers for all operator-assisted calls. The payphone provider would then compensate the premises owner for installing the payphone station. Otherwise, a BPP routing system would offer little incentive for payphone owners or providers to install public payphones.

5. Impact on Competition Among Small OSPs

The PaPUC has also reviewed concerns that the BPP system would reduce operator service competition. These concerns were expressed by smaller OSPs who argue that they must offer operator services nationwide and issue their own calling cards to compete under a BPP environment.[14] The PaPUC believes that these concerns are not well founded. Instead, the PaPUC submits that BPP is designed to accommodate at least two OSP designations for 0+ interLATA calling. Small OSPs could designate an alternate carrier on behalf of their

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[12] Access Code Call Compensation for Competitive Payphone Owners, Final Rule, CC Docket 91-35, FCC 92-170, released May 18, 1992 at 21038.

[13] Id. at 21039.

[14] In the Matter of Billed Party Preference for 0+ InterLATA Calls, NPRM, supra, at 10, para. 22.

customers for areas where the originating carrier lacks capability. Further, if small OSPs determine that the cost of issuing their own calling cards is prohibitive, those OSPs can still become the designated OSP on a LEC calling card. The PaPUC believes that the BPP proposal accommodates small OSPs. Further, competition among small OSPs may be spurred by BPP but a competitive market and not the BPP system will ultimately determine their fate.

C. ALTERNATIVES TO BPP

If BPP is not deemed economically viable, the PaPUC is concerned that other alternatives to the current OSP presubscription market could prove more costly to the LECs and ultimately to end-users. Requiring IXCs to use the 10XXX + 0 access code exclusively for proprietary card calling is one interim solution being considered by the FCC.[15] Use of this access code would permit calling card traffic to bypass the LEC network due to habitual use of the access code by end-users on intraLATA calls. By AT&T's estimates, bypass of the LEC network through use of the 10XXX + 0 code would result in lost intraLATA revenue of close to $600 million.[16] Also, GTE estimates that $20 million in additional costs would be incurred to correct the 10XXX + 0 dialing protocols at the IXC level.[17] The PaPUC submits that these cost estimates should be revised based upon current market conditions. The

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[15] Id. at 16, para. 43.

[16] Use of AT&T Proprietary Card with 0+ Access, at 4.

[17] Comments of GTE, CC Docket No. 92-77, filed June 2, 1992 at 3.

Commission cannot yet determine the economic viability of 10XXX and other access alternatives, but will analyze and file Reply Comments on projected costs for BPP alternatives and corresponding revenue losses based on data delineated in LEC Comments.

## CONCLUSION

The PaPUC believes that if BPP is implemented, the end-user would benefit from ease and simplicity in accessing his OSP of choice. The focus of OSP competition would change from commissions paid to payphone providers and premises owners and toward better services for the end-user. Presubscriptions of payphones and aggregator phones would be virtually eliminated. The PaPUC submits that these benefits must be weighed against the costs of a BPP system. Development and implementation of BPP must await a complete systems analysis. However, if BPP is deemed economically viable, a deployment schedule should be expedited to avoid large OSPs from circumventing the system. In addition, the PaPUC believes that if BPP is implemented, all incentives for IXCs to have their end-users bypass the LEC network must be eliminated.

The PaPUC shall file Reply Comments to this Docket on whether BPP should be implemented after review and analysis of BPP cost data and data on BPP alternatives.

Respectfully submitted,

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